



APRIL 23, 2021

FUTURES TRADE SIDEWAYS, EXPORT SALES HIT SLOW PACE

- Future Market Coverage Switching to July Contract
- Jobless Claims at Lowest Level Since Before Pandemic
- Export Sales at Slower Pace This Week
- Cotton Belt Planting Ahead of Five-year Average

Futures traded sideways for most of the week, falling for the first few days but rising in the second half of the period. Prices managed to mark a fresh one month high on Thursday, with May futures rallying to 85.79 before pulling back to settle at 84.64. July futures similarly rallied to 87.24 and fell back to settle at 86.05. Daily trading activity has slowed dramatically as traders have mostly finished moving positions out of May futures and into July and December. Last Friday's May option expiration also

led to a sharp drop in open interest. The total number of open contracts has fallen 9,106 to 214,495. With May futures entering their notice period next week, we will switch market coverage to the July contract going forward.

OUTSIDE MARKETS

Major stock indices made fresh all-time-highs last week but have drifted lower since then. Economic data continued to bolster the U.S. outlook with initial jobless claims falling to their lowest weekly level since the pandemic began. At the same time, the U.S. dollar has softened and treasury yields have continued to decline. The goldilocks combination of a weaker U.S. dollar and strong economic outlook provided some tailwind to commodities. But despite what influences the outside markets may have had, cotton was perhaps most helped this week by the continuing rally in grains. Demand for corn, soybeans, wheat, and sorghum has dramatically outstripped supply. China's increasing imports and a poor outlook for U.S. and Brazilian production have only made things tighter. Corn and soybean futures are trading at their highest since 2013, and wheat is at its highest since 2014.

EXPORT SALES

If there was any fundamental news to throw a bit of cold water on the cotton market, it was this week's Export Sales Report. Net new sales for the week ending April 15 were just 103,100 bales of Upland and 6,700 bales of Pima. The recent slower pace of sales disappointed traders who were hoping to see broader mill buying. Last week's largest buyers were China (38,600 bales), Vietnam (22,600), Turkey (18,600) and Indonesia (9,500). Shipments remained healthy despite a lack of resolution to the continuing logistics backlog at the ports. Last week shippers were able to move 348,600 bales of Upland and Pima combined.

CROP PROGRESS AND WEATHER

Planting is just starting to pick up. Last week added 3% to plantings of expected cotton acreage according to this week's

Crop Progress and Condition Report. Texas is at 16% planted versus a five-year average of 13%, and southeastern states have started to register small percentages completed as well. Across the belt, 11% of the crop is planted versus a five-year average of 9%.

Unfortunately, there has been almost no improvement to the moisture profile in the Southwest, and the forecasts for the next several days are no better. High Plains farmers look increasingly likely to be facing the uncomfortable and unfortunately familiar circumstance of planting into dry ground. We continue to hope and pray for a break in the drought soon.

THE WEEK AHEAD

West Texas weather will be a focal point for global traders. Otherwise, there is little cotton specific information for the next few weeks outside of weekly Crop Progress and Condition and Export Sales reports.

IN THE WEEK AHEAD:

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress and Condition
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call